Secrt. II-27—100,2[illegible]—31-5-48.

Finance (1948) Department.

M.S SERIES.

G.O. No. 1202.

Dated 15-12-48

[Despatch Abstract.]

WAYS & MEANS : BORROWINGS FROM THE CENTRAL GOVERNMENT : IN 1948-49 : PAPERS RECORDED.

(1)

GOVERNMENT OF MADRAS
Finance Department.

Letter No.77583-WM-3-

Fort St. George,
Dated, the 12th January 1948.

From

Dr. D.W. Dodwell, M.A.,Ph.D.,(Econ).,C.I.E.,I.C.S.,
Secretary to the Government of Madras.

To

The Secretary to the Government of India,
Finance Department, NEW DELHI.

Sir,

Sub: PROVINCIAL BORROWING FROM THE GOVERNMENT OF India during 1948-49.
Ref: Corresponding ending with my telegram No.77583-WM-2 dated the 3rd January 1948.

I am directed to state that according to the preliminary figures adopted in this Government's budget for 1948-49, together with the estimted requirements under certain schemes not included in the Budget but likely to be sanctioned in 1948-49, namely, items (2), (6) and (8) below, the total requirements of this Province during 1948-49 for expenditure of a capital nature and the net dirbusements under Loans and Advances and net repayments of deposits by the Provincial Government will be about Rs. 27 crores as shown below:-

			Rs. crores.
(1)	68.	Construction of Irrigation etc., Works.	3.96
(2)		Rampadsagar Irrigation Project.	5.00
(3)	72.	Capital Outlay on Industrial Development.	1.38
(4)	81A	Capital Outlay on Electricity Schemes.	4.87
(5)	82	Capital Account of other Provincial Works outside the Revenue Account.	.38
(6)		Compensation payable on the acquisition of Zamindaries.	2.00
(7)		Loans and Advances to local bodies agriculturists etc., (net)	.49
(8)		Special loans to House Building Co-operative Societies.	1.00
(9)		Probable repayment of deposits.	8.00
			27.08

A statement showing the schemes or projects proposed to be financed from loan funds and other non-revenue resources is appended to this letter. Towards the total estimated requirements of about Rs.27 crores, the Madras Government propose to borrow Rs. 10 crores from the Government of India. The balance of the requirements will be met from their own resources. The Madras Government do not propose to raise any loan in the open market during 1948-49.

I have the honour to be,
Sir,
Your obedient servant,

Sd/ D.W.DODWELL.
Secretary to Government.

Appendix.....

APPENDIX.

List of Schemes - 1948-49.

68. Construction of Irrigation, Navigation, Embankment and Drainage Works.

-1-	Productive -2- Rs (in lakhs)	Unproductive -3- Rs (in lakhs)	Establishment, tools and plant Suspense, etc. -4- Rs (in lakhs)	Total. -5- Rs (in lakhs)
Godavari Delta System	7.77	-		
Kistna Delta System	2.79	20.00		
Cauvery Delta System	3.00	-	1.80	40.19
Cauvery Mettur Project	4.83	-		
	18.39	20.00	1.80	40.19
Lower Bhavani Prject.		30.00		
Tungabhadra Prject				
I. Headworks.		151.97		
II. Power Canal		9.76	31.97	311.92
III. Low Level canal		117.03		
Lump sum deduction for probable savings and addition for regrant of lapses.		- 28.81		
		279.95	31.97	311.92
Romperu Drainage.		1.23	.15	1.38
Lump sum provision for Grow More Food Schemes				38.00
2nd stage of the Repallad and Reddialu Project				1.00
Providing Irrigation facilities to Kanur and other Villages in the West Godavari District.				3.00
Providing Irrigation facilities to the dry lands of K and Kokkullu villages				.11
Ramapdasagara Project (Lump sum)				500.00
		T o t a l.		895.60.

Capital Outlay on Industiral Development.

	Rs.(lakhs)
Cincohna (net)	30.02
Application of manure for Cinchona Plantations.	.65
Investments in shares of commercial concerns.	-
Manufacture of Vegetable Ghee.	2.86
Purchase of shares in the Provincial Industrial Finance Corporation.	51.00
Lump sum provision for Capital outlay on New Industrial Concerns to be started by the Government.	50.00
Charges in England - High Commissioner for India - Stores.	2.92
Total.	137.45.

(3)

81.A. Capital Outlay on Electiricity Schemes.

	Works -2- Rs (in lakhs)	Establishment, Tools and Plant -3- Rs (in lakh)	Suspense -4- Rs (in lakhs)	Total. -5- Rs (in lakhs)
Pykara Hydro-Electric System:				
1. Pykara Hydro Electric System	3.96			
2. Distribution of Power in the Pykara System.	7.43			
3. Supply of Power to the West Coast.	8.96	13.80		44.15
4. Construction of Tranmission lines and other works for supply of power to Intending Consumers.	10.00			
Mettur Hydro-Electric System:				
5. Mettur main scheme.	.84			
6. Distribution of power in the Mettur System	20.00			
7. Construction of Tranmission lines and other works.	20.00	3.19	-3.03	49.27
8. Construction of quarters for line and operation staff.	.13			
9. Chingleput, Conjeevaram, Arkonam extension:	8.14			
Papanasam Hydro Electric System.				
10. Papanasam Hydro-thermal Project.	3.92			
11. Distribution of power in the system.	4.95	1.24	-2.67	9.41
12. Supply of power to Virudunagar and Rajapalayam	1.56			
13. Construction of Madura Kovilpatti 2nd circuit transmission line.	1.41			
Kollegal Hydro-Electric System.				
14. Works.	1.00	.15	-.15	1.15
15. Pykara Hydro Electric Scheme Moyar Scheme works	117.73	6.15	.75	124.63
16. Pykara Plant Extension III and final Stage.	28.89	2.09	.04	30.94
Mettur Hydro-Electric Scheme:				
Madras Mettur inter-connection.	14.95	- .60	-	14.35
Extension to Kuppam	1.31	.17	-	1.48
Papanasam Hydro-Electric Scheme:				
Papanasam Plant Extension II stage.	13.96	1.27	- .02	15.21
Madura Thermal Scheme	9.36	1.93	-	11.29
Line from Madura to Tirumangalam Rajapalayam & Tenkasi	4.04	.47	-	4.51
Machkund Hydro-Electric Scheme:				
Machkund Hydro Electric Scheme	41.15	9.62	1.09	51.86
Ceded Districts Scheme:				
Ceded Districts Scheme	24.94	.78	- .72	25.00
Vizagapatam Thermal System:				
Distribution of power in Vizagapatam Thermal area	4.50			
Third Generating set at Vizagapatam.	.22	.55	-	5.27

-1-	-2- Rs (in lakhs)	-3- Rs (in lakhs)	-4- Rs (in lakhs)	-5- Rs (in lakhs)
Bezwada Thermal System.				
Bezwada Thermal Station.	.81			
Distribution of power in Bezwada area.	4.50			
Third Generating set at Bezwada	.54	.67	8.65	15.17
Cocanada Thermal ~~Station~~ scheme:				
Cocanada Thermal Station.	3.00			
Distribution of power in the Cocoanada area.	1.00	4.22	-	4.22
West Godavari District Electrification Scheme:				
West Godavari District Electricial Scheme.	2.00	.02	-	2.02
Kurnool Scheme:				
Kurnool Thermal station.	2.33			
Distribution of power in Kurnool.	.32	.12	-	2.77
Vizagapatam Power House Extenstions.	1.46	.08	-	1.54
Madras Power Station Extensions.	80.44	3.96	3.83	88.23
Rajahmundry Samalkot Extension scheme.	26.09	1.93	- .53	27.49
		T o t a l.	..	529.96
	Lump sum deduction for probable savings.			- 51.36
				478.60
PART II SCHEME: Construction of quarters and Electrification of quarters already constructed in the Electricity Department.				8.82
				487.42
82. Capital Account of Provincial Schemes outside the Revenue Account - Nationalisation of Motor Transport - cost of buses, land and depot buildings.			38.00	38.00

(4)

Extract from the Cabinet Decisions on the recommendations of the Standing Finance Committee.

New Items to be included.

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13. A loan will be taken from the Central Government to the extent necessary upto Rs. 10 crores and this need not be shown in the Budget.

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(5)

GOVERNMENT OF MADRAS
Finance Department.

Fort St. George, Madras.9
Dated, the 15th April 1948.

D.O. No. 77583-WM-4.

My dear Narahari Rao,

Sub: LOAN REQUIREMENTS in 1948-49.
Ref: Dr.Dodwell's D.O. No.24622-WM-1 dated the 31st May 1945.

In continuation of this Government's letter No.77583-WM-3 dated the 12th January 1948 on the above subject, I am to confirm that the Madras Government do not propose to raise any loan in the open market during 1948-49. As already stated in the above letter, they propose to borrow from the Government of India, a sum not exceeding Rs. 10 crores for their capital requirements in 1948-49. If any alteration is found necessary in this figure, intimation will be sent to the Government of India before the 1st June 1948.

Yours sincerely,

Sd/ (T.N.S. RAGHAVAN.)

To

S V. Narahari Rao,Esq., C.S.I.,C.I.E.,
Principal Secretary to the Government of India,
Ministry of Finance, New delhi.

N.F.3(18)-P/47
GOVERNMENT OF INDIA.
Ministry of Finance.
New Delhi, the 24th April 1948.

From

R.G. Mundkur, Esquire,
Assistant Secretary to the Government of India.

To

The Finance Secretary,
Government of Madras,
MADRAS.

Subject: Provincial Borrowings from the Government of India during 1948-49.

Sir,

With reference to your letter No. 77583-WM3 dated the 12th January 1948, I am directed to say that the Government of India has noted that your Government will require Rs. 10,00 lakhs of loan money for development and Grow More Food Schemes in 1948-49. Any alteration in this amount may kindly be intimated to the Government of India by the 1st June 1948.

I have the honour to be,
Sir,
Your most obedient servant.

Sd/
Asst. Secretary to the Govt. of India.

(7)

GOVERNMENT OF MADRAS
Finance (Ways and Means) Department.

No. 77583-W.M-5.

From

T.N.S. Raghavan, Esq., I.C.S.,
Secretary to the Government of Madras,
Finance Department.

To

The Secretary to the Government of India,
Ministry of Finance, NEW DELHI.

Dated, Fort St. George, the 28th May 1948.

Sir,

Sub: PROVINCIAL BORROWING FROM the Government of India during 1948-49.
Ref: Correspondence ending with the Government of India, Ministry of Finance, Letter No.F3(18)-P/47 dated the 24th April 1948.

I am directed to state that on a review of the ways and means position, the Madras Government find that their loan requirements during the current year would not be as large as estimated previously. They do not anticipate any large expenditure on the Ramapadasagara Project in 1948-49. The expenditure on the acquisition of Zamindaris is not expected to be appreciable during the current year as Legislation for the purpose has not yet been enacted. Taking account of these factors, the capital outlay on Irrigation and Electricity Schemes and disbursements at about Rs. 8.07 crores as shown in the margin.*

	Rs. crores.
*68. Construction of Irrigation, etc. works.	2.00
72. Capital Outlay on Industrial Development	1.36
81A Capital outlay on Electricity Schemes	3.00
82 Capital Account of other Provincial Works (outside the Revenue Account) (Government Bus Transport)	.38
	6.74
Loans and Advances by the Provincial Government (net).	1.33
Total.	8.07

The Madras Government held scrip of the total value of Rs. 5 crores of the Government of India 2½ per cent loan, 1948-52 and when estimating their loan requirements in January last they expected this loan to be repaid only in 1952. Now that the Government of India have decided to repay this loan on the 15th May 1948, the Madras Government propose to utilise the proceeds of the scrip held by them to meet in part their expenditure on capital works, loans and advances, etc., and to make a corresponding reduction in their borrowings from the Government of India during the current year.

As a result of the above changes, the Madras Government now propose to take a loan of Rs. 3 crores only from the Government of India during 1948-49.

2. I am to request the Government of India kindly to arrange for the disbursement of this loan and to communicate, in due course, the probable month and date when the amount will be adjusted to the credit of the Madras Government.

Your obdedient servant,

Sd/ T.N.S.RAGAHVAN.
Secretary to Govt.

(8)

N.D.1018-B/48
GOVERNMENT OF INDIA,
MINISTRY OF FINANCE.

New Delhi, the 12th August 1948.

From

M.V. Rangachari, Esquire,
Deputy Secretary to the Government of India.

To

The Secretary to the Government of Madras,
Finance (Ways and Means) Department,
M A D R A S.

Subject: PROVINCIAL BORROWINGS FROM THE GOVERNMENT OF INDIA during 1948-49.

Sir,

With reference to your letter No.77583-WM.6 dated the 28th July, 1948, on the subject mentioned above, I am directed to state that the Government of India have no objection to place at the credit of the Provincial Government on the 15th November 1948, a sum of Rs. 3 crores being the amount loan required by them during 1948-49. The Provincial Government will be informed of the rate of interest early in November.

Yours faithfully,

Sd/ M.V.RANGACHARI.
Dy. Secretary to the Govt. of India.

FINANCE DEPARTMENT

/From the Govt. of India, Ministry of Finance, No.F3-(18)-P/47 dated November 1948&/

The letter from the Govt. of India, Ministry of Finance, on p.37 c.f. in reply to our telegram on p.36 c.f. is submitted for perusal.

2. In their letter dated the 12th August 1948, the Government of India stated that they had no objection to place at the credit of this Government on the 15th November 1948 a sum of Rs. 3 crores being the loan required for 1948-49 and that we would be informed of the rate of interest on this loan early in November 1948. It is not clear why the Government of India now say that the matter is still under their consideration. A note setting out the position has been sent to H.M.(Finance) at New Delhi, for duscussing the matter with the Hon'ble Finance Minister to the Government of India. The result of this discussion and the further communication promised in the official letter dated at page 37 c.f. may be awaited till the 10th December 1948.

Probably they referred to the the consideration of the list of P.W.Deptt. schemes. The Govt. of India have since fixed the amount of grants & loans to all provinces for 48-49 and 1949-50. We may hope to get the amount adjusted soon.

xx/1-12-1948.

/From the Govt.of India, Ministry of Finance, No.D-14616-B/48 dated the 6th December 1948.
" " Accountant-General, Central Revenues, New Delhi, No.Bk-4-1(II)-1797 dated the 10th Decr.1948/

The communications from the Government of India, Ministry of Finance and the Accountant-General, Central Revenues, New Delhi, on pages 43-45 c.f. are submitted for perusal.

2. The loan of Rs. 3 crores was credited to this Govt.'s account with the Reserve Bank on the 10th December 1948. Interest at 2 7/8 per cent per annum is payable half-yearly on the 10th June and 10th December each year. Unless any arrangement for earlier repayment is agreed to between the two Governments, the sum of Rs. 3 crores is repayable in one instalment on the 10th December 1963. The first half-yearly interest on this loan is payable on the 10th June 1949. Necessary provision has been included in the budget for 1949-50

3. The only further action to be taken in this file is the fixation of the effective rate of borrowing in the current

year, with reference to which, the rates of interest to be charged by the Government on the loans and advances have to be decided. In the case of open market loans, the effective borrowing rate is calculated on the basis of nominal rate of interest, discount in the issue price and other incidental charges incurred by the Government in connection with the flotation of the loan and rounded to the next higher quarter per cent. In the case of loans taken from the Government of India, this Government have to pay only the half-yearly interest on the due dates. During 1947-48, a loan of Rs.6 crores was obtained from the Government of India. The rate of interest payable on this loan is 2 7/8 per cent. This was rounded to the next higher quarter per cent, and the effective rate fixed at 3 per cent per annum. The rate of interest on the loan of Rs. 3 crores taken from Government of India in the current year is also 2 7/8 per cent, which if rounded to the next higher quarter per cent will be 3 per cent. This effective rate of 3 per cent per annum may be communicated to the sections concerned in Finance and also to Public Works Department as usual. A draft u.o. note is submitted.

After issue of the u.o. note the papers may be recorded as a G.O. for facility of future reference.

xx/14.12.48

T.N.S.R/14.12.48

Abstract:

WAYS AND MEANS - Borrowings in 1948-49 from the Central Government - Papers recorded.

G.O. 1202 Finance dated the 15th December 1948.

R e c o r d e d.

/True copy/

Superintendent,
Madras Record Office, Egmore.

- Sk.